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## THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

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5 November 1982

National Intelligence Council

## MEMORANDUM FOR THE RECORD

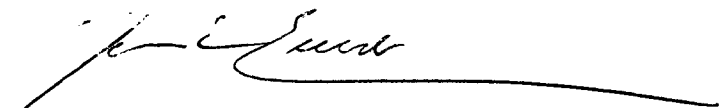
SUBJECT: 5 November SIG-IEP Meeting on IMF Quota Expansion

1. Although scheduled to deal only with the narrow question of how much to increase IMF quotas and related borrowing facilities, the meeting became the occasion for expressions of concern about the international debt problem and its implications for trade and foreign policy. References to the NIC Memorandum on this subject by Regan and Baldrige suggest that it has served as something of a catalyst for the various concerns of the participants.

2. Baldrige was concerned about the trade effects of the debt problem. Noting that the IMF's prescriptions for LDCs in trouble are that they should take steps to increase exports and cut imports, he wondered who was going to buy the exports, and who was going to suffer from the drop in imports, given how large the LDC adjustment problem has become.

3. Regan said that a SIG working group would be formed to discuss broader policy options and linkages, but that an immediate position was needed on IMF quotas.

4. The Treasury position has already evolved considerably in the past few months. We now support a 25 percent increase in quotas (the European Community prefers a 50 percent increase) and are pushing for the creation of an emergency borrowing arrangement to help LDCs in serious trouble. The schedule for implementation would be accelerated from 1985 to the end of 1983. Although there was support for the Treasury position, the consensus of the meeting was clearly that it is better to err in favor of generosity in this situation. As Secretary Shultz put it, we should go with the Treasury position but under no circumstances should we allow the talks to fail.

  
Maurice C. Ernst

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